

# **Fiscal Services Division**

## **Legislative Services Agency**

### **Fiscal Note**

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HF 2637 - Electronic Health Records (LSB 5174 HV)

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Fiscal Note Version - New

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#### **Description**

House File 2637 requires the creation of electronic health records and establishes a schedule for their application to the following populations: IowaCare enrollees, residents of State institutions, State employees, Medicaid participants, and **hawk-i** enrollees. The Bill also establishes an Electronic Health Records System Council.

#### **Background**

The creation of an electronic health records system was one of the reform proposals established in HF 841 (IowaCare and Medicaid Reform Act), passed during the 2005 Legislative Session. For FY 2006, \$100,000 was appropriated from the Health Care Transformation Account for this purpose. The system is intended to enhance the quality of care received and reduce avoidable medical errors.

#### **Assumptions**

1. The Department of Administrative Services, with the approval of the Electronic Health Records System Council, will utilize the Request for Proposals (RFP) process to hire a contractor to create, implement, and administer the electronic health records system.
2. The Department of Human Services (DHS) requested, and HF 2734 (FY 2007 Health and Human Services Appropriations Bill) as passed by the House, contains an appropriation of \$2.0 million for electronic health records for FY 2007. This can be considered the DHS's estimated cost to establish electronic health records for the IowaCare population, although the exact cost will not be known until a contractor is hired.
3. There are likely to be up-front costs for developing electronic health records for the IowaCare population that will not apply as new populations are included. The estimates assume that one-third (\$667,000) of the cost of covering IowaCare enrollees is one-time start-up costs.

#### **Fiscal Impact**

The fiscal impact for FY 2007 will be an estimated \$2.0 million, the DHS estimate to develop electronic health records for the IowaCare population. Although the Bill specifies that the electronic health records system for this population is not required to be fully operational until December 31, 2007, the DHS is requesting the funds to begin in FY 2007.

If it is assumed that each population added will cost two-thirds as much as the IowaCare population, the fiscal impact for FY 2008 will be an estimated \$3.3 million: \$2.0 million to continue to cover the IowaCare population and \$1.3 million to develop records for residents, patients and inmates of State institutions.

The fiscal impact for FY 2009 will be an estimated \$5.9 million as State employees and Medical Assistance recipients are added to the electronic health records system.

The fiscal impact for FY 2010 will be an estimated \$7.2 million when the last group – *hawk-i* enrollees are added to the system.

The total cost of this Bill over the next five years is an estimated \$25.6 million. The anticipated savings from an electronic health records system in terms of enhanced quality of care and a reduction in avoidable medical errors, cannot be determined.

**Source**

Department of Human Services

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/s/ Holly M. Lyons

March 22, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.  
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